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MASSIVE CUTS TO MENTAL HEALTH SHOULD NOT BE TOLERATED

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The Governor's Budget Request for mental health proposes massive cuts in funding for community mental health--over \$400 million. More than 3/4 of this would come in losses of Medicaid for psychiatric units of general hospitals. In addition The Budget Request backs away from community reinvestment, halts new housing development for people with serious mental illnesses, and continues to chip away at funding for local mental health services.

Psychiatric Hospitals: By far the most massive cuts are to inpatient and outpatient psychiatric services provided by general hospitals. They would lose about \$350 million in Medicaid funding. In part these cuts reflect the Governor's decision to slash health care funding generally. But, the mental health reductions go well beyond the level of overall cuts to hospitals.

This is amazing since improvements in community mental health have depended so much on hospital based services. From 1978 to 1993 an increase of roughly 2000 beds in general hospitals supported a reduction of 20,000 beds in State hospitals.

The cuts to psychiatric hospitals are perplexing given New York State's plans to introduce managed care for individuals with serious and persistent mental illnesses next year. If the State truly believes that managed care will result in a substantial reduction of inpatient utilization and a growth of community based treatment, why introduce heavy handed, arbitrary cuts to psychiatric hospitals now? Why cap stays at 60 days? Why reduce rates to 5% below regional average without taking into account case mix and other variables? There are systems in place to monitor length of stay and to set rates on the basis of reasonable costs. **Arbitrary cuts now may cripple any managed care initiative by jeopardizing the system of services and the base funding needed for a successful transition.**

Reinvestment: Next year the State plans to eliminate 525 beds in State hospitals. Under the provisions of the Community Reinvestment Act, which requires some savings from State hospital cuts to be used to fund new community services, this should result in \$25 million to fund new community programs and \$5 million to fund new services for people who are homeless and mentally ill. Instead the Budget Request eliminates funding for those who are homeless and limits reinvestment to 50% of the amount required by law. It proposes to

limit reinvestment even further next year and subsequently to eliminate reinvestment from bed reductions and closures of State hospitals. The upshot--over 5 years **community reinvestment will fall \$100 million short** of the target set by the Legislature in 1993.

Surprisingly the Administration wants to extend the Community Reinvestment Act for 5 years, using savings from managed care to fund it. Given widespread concerns that savings from managed care will disappear into profits, requiring reinvestment in new community services is a welcome idea. However, the history of annual raids on The Community Reinvestment Fund to help balance the State budget creates little confidence that new reinvestment will actually happen.

Community Housing Development: The Budget Request permits The Office of Mental Health to complete 600 units planned and contracted for during the prior Administration. Beyond this it provides nothing for the development of new community housing. Five years ago, OMH estimated that 20,000 new housing units were needed for people with serious mental illnesses. Since then only 3000 units have been developed. The State will stop after a few hundred more despite the fact that there are still people with mental illnesses living homeless on the streets, in shelters, in squalid and dangerous housing, and with families who cannot care for them forever. Although more are needed, the State should **commit to at least 1000 new beds a year over the next decade.**

State Aid to Localities: Compared to the last few years, this year's Budget Request is relatively gentle with regard to State aid for local mental health programs. Still it would continue to erode core programs, which have had no cost of living adjustments in years. (This year the State facilities got a 3% increase). And in Westchester and Rockland, the potential **loss of Unified Services would result in cuts of \$3 to \$4 million.**

The Legislature should reject the Governor's proposals to cut mental health. In the end each cut translates into significant suffering for people with serious mental illnesses and their families. In a year when the State has a surplus of more than \$1 billion, poorer services should not be tolerated.

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